

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Garfield Township	County Newaygo
Fiscal Year End March 31, 2006	Opinion Date July 18, 2006	Date Audit Report Submitted to State August 14, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

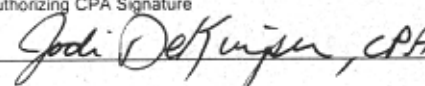
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hendon & Slate, P.C.		Telephone Number 231-924-6890	
Street Address 711 W. Main Street		City Fremont	State MI
Authorizing CPA Signature 		Printed Name Jodi DeKuiper	Zip 49412
		License Number 1101021180	

**GARFIELD TOWNSHIP  
NEWAYGO COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS**

**March 31, 2006**

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## **GARFIELD TOWNSHIP**

### **Board Members**

	<u>Position</u>
George Suchy	Supervisor
Jill Vandenberg	Treasurer
Arlene Grabill	Clerk
Robert Kinniburgh	Trustee
Michael Wallace	Trustee



**Hendon & Slate, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS



July 18, 2006

Township Board  
Garfield Township  
Newaygo County  
Newaygo, MI 49337

### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Garfield Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Townships' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Garfield Township, Michigan as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 22 through 24, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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As discussed in Note A, the Township adopted Governmental Accounting Standards Board Statement Number 34 during the current year. As a result, these financial statements present entirely new financial information. Governmental activities report information by individually significant fund, as well as in total on the full accrual basis of accounting.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Garfield Township, Michigan's basic financial statements. The introductory section, combining and individual non major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, P.C.

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Using this Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

### The Township as a Whole

The Township's combined net assets decreased 4.7% from a year ago - decreasing from approximately \$1.33 million to approximately \$1.26 million. This was the result of road improvements in the current year which were partially paid in the prior year. Under the full accrual method of accounting, the costs were reported in the current year expenses. In a condensed format, the table below shows key financial information (in future years, when prior year information is available, a comparative analysis of the government wide data will be presented):

	Governmental <u>Activities</u>
Current Assets	\$ 965,481
Noncurrent Assets	<u>318,198</u>
Total Assets	<u>\$ 1,283,679</u>
Other Liabilities	<u>19,411</u>
Total Liabilities	<u>\$ 19,411</u>
Net Assets	
Invested in Capital Assets-Net of Debt	\$ 318,198
Unrestricted	<u>946,070</u>
Total Net Assets	<u>\$ 1,264,268</u>

Unrestricted net assets - the part of net assets that can be used to finance day to day operating, decreased by \$68,797 for the governmental activities. This represents an decrease of approximately 6.8%.

	Governmental <u>Activities</u> <u>2005</u>
Program Revenues	
Charges for Services	\$ 9,935
General Revenues	
Property Taxes	358,411
State Shared Revenues	175,265
Investment Earnings	11,437
Refunds & Reimbursements	51,897
Miscellaneous	<u>44</u>
Total Revenues	\$ 606,989

## Management's Discussion and Analysis (Continued)

Program Expenses	
General Government	139,105
Public Safety	67,518
Public Works	374,694
Community & Economic Development	21,768
Other	50,775
Unallocated Depreciation	12,775
Capital Outlay	<u>2,138</u>
 Total Expenses	 <u>668,773</u>
 Change in Net Assets	 <u>\$ (61,784)</u>

The Township's total net assets continue to remain healthy even though there was a large decrease in net assets due to prepaid road repairs from the prior year.

### **Governmental Activities**

The Township's total governmental revenues increased by \$46,745. The following revenues increased: property taxes - increased \$13,834 and refunds & rebates - increased \$30,615. These were offset by a decrease in state shared revenue.

Expenses increased by about \$132,054 over the prior year. The majority of the increase was for road expenditures.

### **Business-Type Activities**

The Township had no business type activities.

### **The Township's Fund**

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2006 include the General Fund, the Fire Fund, and the Road Fund.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township Board found it necessary to amend the budget to take into account events during the year. The Board over-expended on several activities as reported in the notes to the financial statements.



**Capital Asset and Debt Administration**

At the end of 2006, the Township had \$402,352 invested in a broad range of capital assets, including land, buildings, and furniture and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads property of the Newaygo County Road Commission (along with the responsibility to maintain them).

**Economic Factors and Next Year's Budgets and Rates**

The Township's budget for 2007 calls for a small increase in property taxes. The Township also projects that state shared revenue will increase approximately \$13,000. Township expenditures were budgeted for approximately 6% increase from the previous budget.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

**GARFIELD TOWNSHIP**

Government Wide Statement on Net Assets  
March 31, 2006

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$ 889,717
Accounts Receivable	492
Accounts Receivable-Fiduciary Funds	6,295
Taxes Receivable	30,694
Due From Other Governmental Units	38,283
Property and Equipment	402,352
Accumulated Depreciation	<u>(84,154)</u>
Total Assets	1,283,679
<b>LIABILITIES</b>	
Accounts Payable	1,085
Due to Other Units	<u>18,326</u>
Total Liabilities	<u>19,411</u>
<b>NET ASSETS</b>	
Invested in Capital Assets	
Net of Related Debt	318,198
Unrestricted	<u>946,070</u>
Total Net Assets	<u><u>\$ 1,264,268</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

# GARFIELD TOWNSHIP

## Government Wide Statement of Activities For the Fiscal Year March 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u>
<b>Primary Government</b>			
General Government	\$ 139,105	\$ -	\$ (139,105)
Public Safety	67,518	-	(67,518)
Public Works	374,694	-	(374,694)
Community & Economic Dev.	21,768	(9,935)	(11,833)
Other	50,775	-	(50,775)
Capital Outlay	2,138	-	(2,138)
Unallocated Depreciation	12,775	-	(12,775)
Total Primary Government	<u>\$ 668,773</u>	<u>\$ (9,935)</u>	(658,838)

### General Revenues

Property Taxes - Levied for General Purpose	302,183
Property Taxes - Levied for Public Safety	56,228
State Sources	175,265
Interest Income	11,437
Refunds & Reimbursements	51,897
Miscellaneous	44
Total General Revenues	<u>597,054</u>

Change in Net Assets (61,784)

Net Assets - April 1, 2005 1,326,052

Net Assets - March 31, 2006 \$ 1,264,268

The Notes to the Financial Statements are an Integral Part of this Statement.

# GARFIELD TOWNSHIP

## Governmental Fund Balance Sheet March 31, 2006

	General Fund	Roads Fund	Fire Fund	Non-Major Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>					
Cash and Investments	\$ 550,376	\$ 296,553	\$ -	\$ 42,788	\$ 889,717
Accounts Receivable	492	-	-	-	492
Taxes Receivable	6,667	16,937	5,350	1,740	30,694
Due from County	11,082	-	-	-	11,082
Due from Other Governments	27,201	-	-	-	27,201
Due from Other Funds	6,295	-	-	-	6,295
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 602,113</u>	<u>\$ 313,490</u>	<u>\$ 5,350</u>	<u>\$ 44,528</u>	<u>\$ 965,481</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 1,085	\$ -	\$ -	\$ -	\$ 1,085
Due to Other Funds	-	-	-	-	-
Due to Other Governments	12,976	-	5,350	-	18,326
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	14,061	-	5,350	-	19,411
<b>FUND BALANCES</b>					
Unreserved	588,052	313,490	-	44,528	946,070
Reserved	-	-	-	-	-
Total Fund Balance	588,052	313,490	-	44,528	946,070
Total Liabilities and Fund Balance	\$ 602,113	\$ 313,490	\$ 5,350	\$ 44,528	\$ 965,481

The Notes to the Financial Statements are an Integral Part of this Statement.

**GARFIELD TOWNSHIP**

Reconciliation of the Balance Sheet  
of Governmental Funds to the Statement of Net Assets  
For the Fiscal Year Ended March 31, 2006

Total Governmental Fund Balances	\$	946,070
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Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	402,352
Governmental Accumulated Depreciation	<u>(84,154)</u>

Total Net Assets - Governmental Activities:	<u>\$</u>	<u>1,264,268</u>
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The Notes to the Financial Statements are an Integral Part of this Statement.

# GARFIELD TOWNSHIP

## Governmental Fund Statements of Revenue, Expenditures and Changes in Fund Balance For the Fiscal Year Ended March 31, 2006

	General Fund	Road Fund	Fire Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property Taxes	\$ 75,160	\$ 183,958	\$ 56,228	\$ 43,065	\$ 358,411
State Shared Revenue	175,265	-			175,265
Licenses	2,470	-			2,470
Charges for Services	7,465	-			7,465
Interest	10,912	525			11,437
Refunds and Reimbursements	51,897				51,897
Other	44				44
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	323,213	184,483	56,228	43,065	606,989
<b>EXPENDITURES</b>					
General Government	161,032	-	-	-	161,032
Public Safety	11,290	-	56,228	-	67,518
Public Works	125,714	172,290		-	298,004
Community & Economic Development	21,768		-	-	21,768
Other	6,635	-	-	44,140	50,775
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	326,439	172,290	56,228	44,140	599,097
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess Revenue Over(Under) Expenditures	(3,226)	12,193	-	(1,075)	7,892
Fund Balance - April 1, 2005	591,279	301,297	-	45,602	938,178
Fund Balance - March 31, 2006	\$ 588,053	\$ 313,490	\$ -	\$ 44,527	\$ 946,070

The Notes to the Financial Statements are an Integral Part of this Statement.

## GARFIELD TOWNSHIP

### Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended March 31, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	7,892
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Amounts reported for governmental activities in the statement of activities are different because:

Prepaid expenses reflect amounts that will be paid in a future period

Prior Year Prepaid Expense	(76,690)		
Current Year Prepaid Expense	<u>-</u>		(76,690)

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense

Capital outlay reported in governmental fund statements	21,927		
Capital outlay reported as expenses in statement of activities	<u>(2,138)</u>		
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) in assets	19,789		
Depreciation expense reported in the statement of activities	<u>(12,775)</u>		<u>7,014</u>

Changes in Net Assets - Governmental Activities	\$	<u><u>(61,784)</u></u>
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The Notes to the Financial Statements are an Integral Part of this Statement.

# **GARFIELD TOWNSHIP**

## **Statement of Net Assets - Fiduciary Funds March 31, 2006**

	<u>Tax Fund</u>
<b>ASSETS</b>	
Cash and Investments	\$ 6,295
<b>LIABILITIES</b>	
Due to Other Funds	6,295
Due to Other Units	<u>-</u>
Total Liabilities	<u>6,295</u>
<b>NET ASSETS</b>	
Unreserved	<u><u>\$ -</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.



## **GARFIELD TOWNSHIP**

### **Notes to the Financial Statements For the Year Ended March 31, 2006**

#### **NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Garfield Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Garfield Township.

In June, 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- a. A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- b. Financial statements prepared using full accrual accounting for all of the Township's activities.
- c. A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

#### **A. Reporting Entity**

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

#### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the

nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### C. Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

1. State Shared Revenue Receivable

State Shared Revenue is distributed in six installments per year. Often the last payment has not been received by March 31; therefore, a receivable is recorded for this amount. The final payment of \$28,876 was received in March 2006, thus no receivable is recorded.

2. Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2005 delinquent taxes of \$30,694 were received in June 2006, thus recorded as receivable.

The 2005 taxable valuation of the Township totaled \$62,791,759 on which ad valorem taxes levied consisted of 1.0 mills for general operating and 3.0 mills for road operations. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue. The Township also records special assessments for fire protection and weed control in special revenue funds.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Fund accounts for property tax revenues that are restricted for repair and maintenance of Township Roads.

The Fire fund accounts for the resources of property tax revenue and charges for services that are restricted for fire protection purposes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

## Notes to the Financial Statements (continued)

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program

### D. Assets, Liabilities, and Fund Balance

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventorable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year end.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
General Equipment	5 to 10 years
Fire Trucks	15 to 20 years

Salvage value is estimated at 10% of cost

Notes to the Financial Statements (continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year.

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>
General Fund - Electrical Inspector	\$ -	\$ 7,389
General Fund - Zoning Administrator	12,500	14,262
Road Fund - Contracted Services	140,000	172,290

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Notes to the Financial Statements (continued)

The Township Board has designated six banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and CD's, bankers' acceptances of United States banks, and mutual funds under the Investment Company Act of 1940, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

The Township's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and Cash Equivalents	\$ 889,717	\$ 6,295	\$ 896,012

The bank balance of the Township's deposits is \$917,364 of which \$200,000 is covered by National Credit Union Share Insurance, and \$717,364 is uninsured.

The Township believes that due to the dollar amounts of cash deposits and the limits of the NCUSIF, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Depositories actively used by the Township during the year are detailed as follows:

1. Gerber Federal Credit Union

#### NOTE D RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

	General Fund	Road Fund	Fire Fund	Non-major and Other Funds	Total
Property Taxes	\$ 6,667	\$ 5,350	\$ 16,937	\$ 1,740	\$ 30,694
COLA Reimbursement	22,856	-	-	-	22,856
COLA Assessments	11,082	-	-	-	11,082
Fiduciary Funds	6,295	-	-	-	6,295
Other Gross Receivables	4,837	-	-	-	4,837
Less: Allowance	-	-	-	-	-
Net Receivables	<u>\$ 51,737</u>	<u>\$ 5,350</u>	<u>\$ 16,937</u>	<u>\$ 1,740</u>	<u>\$ 75,764</u>

Notes to the Financial Statements (continued)

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

<b>Governmental Activities</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being depreciated				
Land	\$ 71,019	\$ -	\$ -	\$ 71,019
Capital Assets Being Depreciated				
Land Improvements	19,452	-	-	19,452
Building & Improvements	246,151	10,931	-	257,082
Furniture & Equipment	<u>45,941</u>	<u>8,858</u>	<u>-</u>	<u>54,799</u>
Subtotal	311,544	19,789	-	331,333
Less Accumulated Depreciation for				
Land Improvements	4,352	1,167	-	5,519
Building & Improvements	56,026	6,260	-	62,286
Furniture & Equipment	<u>11,002</u>	<u>5,348</u>	<u>-</u>	<u>16,350</u>
Subtotal	<u>71,380</u>	<u>12,775</u>	<u>-</u>	<u>84,155</u>
Net Capital Assets being depreciated	<u>240,164</u>	<u>7,014</u>	<u>-</u>	<u>247,178</u>
Total Governmental Activities Capital Capital Assets - Net of Depreciation	<u><u>\$ 311,183</u></u>	<u><u>\$ 7,014</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 318,197</u></u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Unallocated	<u><u>\$ 12,775</u></u>

NOTE F INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund (Due From)</u>	<u>Payable Fund (Due To)</u>
General Fund \$ 6,295	Tax Account \$ 6,295

Interfund Transfers

There were no fund transfers for the fiscal year ended March 31, 2006.

**NOTE G JOINTLY GOVERNED ENTITY**

The Township is a member of the Chain of Lakes Area Utility Authority (Authority). The Township appoints two members to the Authority's governing board, which then approves the annual budget. The purpose of the Authority is to acquire, own, construct and operate a sewage disposal system. The Authority is governed by a Board of Trustees containing six members. The participating communities are Brooks, Everett and Garfield Townships. As of March 31, 2006, the Township had a receivable from the Authority of \$22,856. The Authority has outstanding debt of \$6,915,000. The aforementioned townships have guaranteed the debt of the Authority in the event that the Authority is unable to make the debt payments. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Brooks Township, 490 Quarterline, Newaygo, MI 49337.

Special assessments are collected by the Township and remitted to the Authority. As of March 31, 2006 the Township was to receive \$11,082 from the County for delinquent special assessments. Upon receipt of this collection, the Township will remit the same amount to the Authority.

**NOTE H PERMITS**

Public Act 245 of 1999 (The Stille-Derossett-Hale Single State Construction Code Act) restricts the use of fees collected under this Act for the operation of the enforcing agency and/or the Construction Board of Appeals effective January 1, 2000. The following is the required accounting for such fees:

Beginning Excess Costs Over Fees Collected	\$ (477)
Fees Collected	7,465
Wages, Professional Fees and Other Expenses	<u>(7,389)</u>
Excess Costs Over Fees Collected	<u>\$ (401)</u>

**NOTE I EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

Defined Contribution Pension Plan

The Township participates in a SEP IRA plan through AIM Investments. All elected officials are eligible. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the plan is funded by participants to the extent they elect to defer their compensation into the plan, and by a matching contribution from the Township of 10% of covered employee wages. The Township's contributions for each employee are fully vested immediately upon deposit of the contribution by the Township. The Township's current year pension cost was \$5,227. Covered payroll for the current year is \$52,268 and total payroll of the Township is \$89,257.



Notes to the Financial Statements (continued)

NOTE J RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

# GARFIELD TOWNSHIP

## Required Supplementary Information Budgetary Comparison Schedule for the General Fund For the Year Ended March 31, 2006

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance	\$ 566,276	\$ 566,276	\$ 591,279	\$ 25,003
<b>Resources (Inflows)</b>				
Property Taxes	60,000	60,000	75,160	15,160
State Shared Revenue	157,000	157,000	175,265	18,265
Licenses	5,500	5,500	2,470	(3,030)
Charges for Services	-	-	7,465	7,465
Interest	3,900	3,900	10,912	7,012
Refunds and Reimbursements	200	200	51,897	51,697
Other	-	-	44	44
Amounts Available for Appropriation	792,876	792,876	914,492	121,616
<b>Charges to Appropriations (Outflows)</b>				
General Government	128,200	167,912	161,032	6,880
Public Safety	30,000	30,000	11,290	18,710
Public Works	12,900	128,817	125,714	3,103
Community & Economic Development	30,500	24,000	21,768	2,232
Other	25,000	12,500	6,635	5,865
Total Charges to Appropriation	226,600	363,229	326,439	36,790
Budgetary Fund Balance-March 31, 2006	<u>\$ 566,276</u>	<u>\$ 429,647</u>	<u>\$ 588,053</u>	<u>\$ 158,406</u>

**GARFIELD TOWNSHIP**

Required Supplementary Information  
Budgetary Comparison Schedule for the Road Fund  
For the Year Ended March 31, 2006

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 160,062	\$ 160,062	\$ 301,297	\$ 141,235
<b>Resources (Inflows)</b>				
Property Taxes	140,000	140,000	183,958	43,958
Interest	<u>-</u>	<u>-</u>	<u>525</u>	<u>525</u>
Amounts Available for Appropriation	300,062	300,062	485,780	185,718
<b>Charges to Appropriations (Outflows)</b>				
Contracted Services	140,000	140,000	172,290	(32,290)
Other	<u></u>	<u></u>	<u></u>	<u>-</u>
Total Charges to Appropriation	<u>140,000</u>	<u>140,000</u>	<u>172,290</u>	<u>(32,290)</u>
Budgetary Fund Balance-March 31, 2006	<u><u>\$ 160,062</u></u>	<u><u>\$ 160,062</u></u>	<u><u>\$ 313,490</u></u>	<u><u>\$ 153,428</u></u>

# GARFIELD TOWNSHIP

## Required Supplementary Information Budgetary Comparison Schedule for the Fire Fund For the Year Ended March 31, 2006

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b>				
Property Taxes	58,000	58,000	56,228	(1,772)
Other	-	-	-	-
Amounts Available for Appropriation	58,000	58,000	56,228	(1,772)
<b>Charges to Appropriations (Outflows)</b>				
Fire Protection Services	58,000	58,000	56,228	1,772
Other	-	-	-	-
Total Charges to Appropriation	58,000	58,000	56,228	1,772
Budgetary Fund Balance-March 31, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# GARFIELD TOWNSHIP

## Supplemental Information - Non-Major Funds Budgetary Comparison Schedule for the Weed Fund For the Year Ended March 31, 2006

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 42,575	\$ 42,575	\$ 45,602	\$ 3,027
<b>Resources (Inflows)</b>				
Property Taxes	44,290	44,290	43,065	(1,225)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts Available for Appropriation	86,865	86,865	88,667	1,802
<b>Charges to Appropriations (Outflows)</b>				
Contracted Services	44,290	44,290	44,140	150
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Charges to Appropriation	<u>44,290</u>	<u>44,290</u>	<u>44,140</u>	<u>150</u>
Budgetary Fund Balance-March 31, 2006	<u><u>\$ 42,575</u></u>	<u><u>\$ 42,575</u></u>	<u><u>\$ 44,527</u></u>	<u><u>\$ 1,952</u></u>

## GARFIELD TOWNSHIP

Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual - General Fund  
For the Year Ended March 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Property Taxes-Current	\$ 49,000	\$ 50,755	\$ 1,755
Penalties and Interest on Taxes	1,000	921	(79)
Collection Fees-PTAF	10,000	23,484	13,484
Licenses and Permits	5,500	2,470	(3,030)
State Shared Revenue	157,000	175,265	18,265
Charges for Services-Inspections	-	7,465	7,465
Interest	3,900	10,912	7,012
Refunds and Reimbursements	200	51,897	51,697
Other	-	44	44
	<hr/>	<hr/>	<hr/>
Total Revenues	226,600	323,213	96,613
 <b>EXPENDITURES</b>			
<b>General Government</b>			
Township Board			
Salaries and Wages		8,275	
Fringe Benefits		5,227	
Legal Services		9,623	
Communication		220	
Transportation		46	
Printing and Publishing		1,021	
Workers Compensation		2,176	
Memberships and Dues		1,289	
Contracted Services		10,116	
Miscellaneous		<hr/> 16,223	
	54,781	54,216	565
 Supervisor			
Salaries and Wages		10,723	
Miscellaneous		<hr/> -	
	\$ 11,500	\$ 10,723	\$ 777

Statement of Revenues, Expenditures and  
Changes in fund Balance - General Fund (continued)

Elections

Salaries and Wages		\$	1,642	
Supplies			2,022	
Transportation			89	
Printing and Publishing			<u>607</u>	
	\$	7,000	4,360	\$ 2,640

Clerk

Salaries and Wages			12,356	
Supplies			45	
Communication			24	
Transportation			<u>90</u>	
		14,000	12,515	1,485

Treasurer

Salaries and Wages			15,316	
Supplies			887	
Communication			156	
Tax Roll Statement Preparation			5,141	
Transportation			581	
Education			<u>277</u>	
		22,500	22,358	142

Assessor

Salaries and Wages		14,000	14,000	-
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Township Hall and Grounds

Supplies			2,311	
Repairs and Maintenance			1,930	
Professional Services			2,660	
Communications			1,706	
Insurance			6,087	
Utilities			2,773	
Snow, Lawn, & Cleaning			2,560	
Miscellaneous			76	
Capital Outlay			<u>21,927</u>	
	\$	42,931	\$ 42,030	\$ 901

Statement of Revenues, Expenditures and  
Changes in fund Balance - General Fund (continued)

Board of Review & Appeals			
Salaries and Wages		\$ 560	
Supplies		60	
Printing and Publishing		210	
	<u>\$ 1,200</u>	<u>830</u>	<u>\$ 370</u>
Total General Government	167,912	161,032	6,880
<b>Public Safety</b>			
Fire Department			
Salaries and Wages		210	
Miscellaneous		3,691	
	30,000	3,901	26,099
Electrical Inspection			
Professional Services	<u>-</u>	<u>7,389</u>	<u>(7,389)</u>
Total Public Safety	30,000	11,290	18,710
<b>Public Works</b>			
County Drains	4,000	3,392	608
Roads			
Salaries and Wages		4,975	
Contracted Services		116,961	
Printing and Publishing		15	
Miscellaneous		95	
	124,317	122,046	2,271
Street Lighting	<u>500</u>	<u>276</u>	<u>224</u>
Total Public Works	128,817	125,714	3,103
<b>Community and Economic Development</b>			
Zoning Board			
Salaries and Wages		7,000	
Communication		4	
Transportation		26	
Printing and Publishing		198	
	<u>\$ 9,500</u>	<u>\$ 7,228</u>	<u>\$ 2,272</u>



Statement of Revenues, Expenditures and  
Changes in fund Balance - General Fund (continued)

Zoning Administrator			
Salaries and Wages		\$ 14,000	
Supplies		150	
Transportation		<u>112</u>	
	\$ 12,500	14,262	\$ (1,762)
Zoning Board of Appeals			
Salaries and Wages		200	
Printing and Publishing		<u>78</u>	
	<u>2,000</u>	<u>278</u>	<u>1,722</u>
Total Community and Economic Development	24,000	21,768	2,232
<b>Other Expenditures</b>			
Payroll Taxes	6,900	6,635	265
Contingencies and Other	<u>5,600</u>	<u>-</u>	<u>5,600</u>
	<u>12,500</u>	<u>6,635</u>	<u>5,865</u>
Total Expenditures	<u>363,229</u>	<u>326,439</u>	<u>36,790</u>
Excess Revenues Over (Under) Expenditures	(136,629)	(3,226)	133,403
Fund Balance - March 31, 2005	<u>959,338</u>	<u>591,280</u>	<u>(368,058)</u>
Fund Balance - March 31, 2006	<u><u>\$ 822,709</u></u>	<u><u>\$ 588,054</u></u>	<u><u>\$ (234,655)</u></u>

# Companies



**Hendon & Slate, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS



July 24, 2006

Township Board  
Garfield Township  
Newaygo County, Michigan

Dear Board Members:

In connection with our audit of Garfield Township as of and for the year ended March 31, 2006, we offer the following comments and recommendations.

## PRIOR RECOMMENDATIONS

### Budgeting

Following the previous audit, we noted that the Township attempted to implement most of the recommendations as they relate to the budgeting process, however, there remains a few items which the Township has not implemented.

Section 15 of the Uniform Budgeting Act provides that the recommended budget for the general fund and special revenue funds must include the following for each fund:

- actual expenditures for the most recently completed fiscal year;
- estimated expenditures for the current fiscal year (to be arrived at by using actual expenditures to date and estimating expenditures to the end of the fiscal year);
- an estimate of the expenditures in the next fiscal year;
- actual revenue for the most recently completed fiscal year;
- estimated revenue for the current fiscal year (to be arrived at by using actual revenue to date and estimating revenue to the end of the fiscal year);
- an estimate of the revenue in the next fiscal year;
- beginning and ending fund balance for each year;
- an estimate of the amounts needed for deficiency, contingent, or emergency purposes;
- other data relating to fiscal conditions that the chief administrative officer considers to be useful in considering the financial needs of the local unit.

I am enclosing a sample budget form including dates to assist you in understanding the required information to be provided to the Board when the budget is being adopted. Basically, the Township Board should be provided this information in order to make an informed decision regarding the adoption of the new budget and if the budget appropriately will meet the Township's needs.

In addition, there were a few instances of expenditures exceeding revenues as noted in the financial statement.

## CURRENT RECOMMENDATIONS

### Internal Control

Payroll - During our procedures we noticed that there were three employees whose wages were being posted to the SS & Medicare Tax Account #862-715 that should be included

**Grand Rapids**  
2025 East Beltline SE  
Suite 208  
Grand Rapids, MI 49546  
Phone (616) 954-3995  
Fax (616) 954-3990

**Muskegon**  
4985 South Harvey Street  
Muskegon, MI 49444  
Phone (231) 798-1040  
Fax (231) 798-8409

**Fremont**  
711 West Main Street  
Fremont, MI 49412  
Phone (231) 924-6890  
Fax (231) 924-4088  
Toll Free (800) 924-6891

**Whitehall**  
116 West Colby, Suite B  
Century Building  
Whitehall, MI 49461  
Phone (231) 893-6772  
Fax (231) 893-6773

**Hart**  
1550 North Industrial Park Drive  
Hart, MI 49420  
Phone (231) 873-5611  
Fax (231) 873-7033

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in the appropriate salaries and wages accounts. For example, on March 12, 2006 \$113.03 was posted to account #862-715. Of that amount, only \$8.03 was taxes and \$105.00 should have been posted to account #253-703 - Deputy Treasurer Salaries & Wages. We recommend that only Social Security and Medicare taxes be posted to the tax account and all salaries & wages be posted to their appropriate salaries & wages accounts.

Proper Documentation of Transactions - One of the easiest ways for the Township to protect itself from fraud is to require and maintain proper documentation on all transactions in order to determine if they were proper expenditures of the Township. During the audit we noticed that several invoices were not attached to the check copies. For example, invoices were missing for check numbers #8027 for \$222.00, #8506 for \$50.00, #8527 for \$40.00, and #8531 for \$250.00. In the future, we recommend that invoices be attached to all check copies to explain the purpose of the expenditure.

Uniform Chart of Accounts

In 2002, the State of Michigan up-dated the prescribed uniform chart of accounts that is to be used by all units of government within the state. We found that the Township has not properly up-dated the chart of accounts. For example, the Township is using activity code #410-413 for zoning which has been changed to #722-724; also, index code of #607 for the Property Tax Administration Fee (PTAF) should be #447. We also found that no payroll taxes were being taken out of the salaries & wages account in Zoning Board of Appeals. If these amounts are for contracted services, the proper account number should be #801 to #831. We recommend that the Township review all current account numbers, compare them to the latest Uniform Chart of Accounts, and make revisions as necessary.

GASB 34 - BASIC FINANCIAL STATEMENTS - AND MANAGEMENT'S DISCUSSION AND ANALYSIS - FOR STATE AND LOCAL GOVERNMENTS

As you may have noticed, your financial statements have several significant changes this year. This is just a brief overview of what GASB 34 is and what it means to you. This statement makes many changes to the presentation of the financial statements. One of the most substantial changes is to add government-wide financial statements which are prepared using economic resources measurement focus and the full accrual basis of accounting (used by most for-profit business). These statements also report the Township's fixed assets and infrastructure at original purchase less depreciation. The fund financial statements continue to be presented as well, however, the columns presented have changed to the general fund and other "major" funds and a summary reconciliation is required to identify the differences between the government-wide and fund reports. In addition, a Management's Discussion and Analysis (MD&A) is required. The MD&A includes an analysis and descriptions of significant changes over prior years, condensed presentation of current and prior year financial information and other descriptions of facts, conditions, or decisions which management expects did or will have a significant effect on the financial statements. This statement also prescribes the Required Supplementary Information (RSI) to include budgetary comparison schedules (as currently prescribed by the State of Michigan), however, with the addition of the originally adopted budget (as well as the final amended budget).

Thank you for the courtesy extended to us during our audit. We look forward to a continued relationship with Garfield Township. If you have any questions regarding the audit report, this letter or any other communication, please do not hesitate to call.

Respectfully submitted,

*Jodi DeKuiper, CPA*

Jodi DeKuiper, CPA  
Hendon & Slate, P.C.